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SUBJECT: THE WEST AFRICAN PEER EXCHANGE ON AFFORDABLE HOUSING

REF: ABUJA 3172

ABUJA 00003200 001.2 OF 003

**¶1.** Summary. At the West African Peer Exchange conference on Affordable Housing, Nigerian representatives discussed plans for increasing the number of affordable homes in Nigeria and presented an action plan. Most of the West African countries in attendance face similar problems on land tenure titling, and foreclosure. The conference ended without a clear consensus on the way forward, but participants agreed that an ongoing dialogue is needed as well as political will, if not, many cities will be swallowed by uncontrolled urbanization. End Summary.

2006 WEST AFRICA PEER EXCHANGE

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**¶2.** The West African Peer Exchange on Affordable Housing was held in Accra, Ghana from November 28 to December 01, 2006. Organizers were the Government of Ghana (GOG), United States Department of Housing and Urban Development (HUD), and United Nations Human Settlements Program (UN-HABITAT). A major objective was to provide participating countries in West Africa - Ghana, Liberia, Mali, Benin, Cape Verde, Nigeria, and Senegal - an opportunity to share experiences on how governments can best support the private sector and the domestic financial services industry to invest in affordable housing.

**¶3.** Leading attendees included John Agyekum Kufuor, President of Ghana, Alphonso Johnson, U.S. Secretary of the Department of Housing and Urban Development, Anna Tibaijuka, Under-Secretary General and Executive Director of UN HABITAT; and Pamela Bridgewater, U.S. Ambassador to Ghana.

**¶4.** The conference agenda focused on three main themes:  
-- Government policies and regulatory framework and incentives to support and strengthen existing housing finance institutions to stimulate innovations in affordable housing.  
-- Private sector approaches to financing affordable housing; existing initiatives and innovations in products and instruments.  
-- The role of public private partnerships and financial intermediaries (housing cooperatives, micro-finance institutions and community based organizations); and how strategic institutional arrangements promote affordable housing.

2005 EAST AFRICA PEER EXCHANGE

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**¶5.** In 2005 following consultations between HUD and UN HABITAT

regarding new sources of finance for housing and basic services in the context of rapid urbanization, HUD and UN HABITAT organized the first peer exchange in East Africa. International experts, government and private sector officials from Kenya, Tanzania and Uganda met in Kampala, Uganda. Based on the success of the East African peer exchange and recent developments of commercial banks engaging in retail mortgage lending and community organizations, cooperatives, and micro finance institutions emerging as credible financial intermediaries in West Africa, participants decided to organize a West African peer exchange.

#### NIGERIA'S CONTRIBUTION

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¶6. The Nigerian delegation was led by E. Austine Aikhoriin, Managing Director/Chief Executive of Union Homes (a subsidiary of Union Bank of Nigeria), and included private and public sector representatives.

(NOTE: Union Homes is making headway in innovative financing for low-income housing products in Nigeria. END NOTE.) The delegation presented a country paper during the opening session and then broke off into a working group to prepare an action plan for presentation at the closing session.

¶7. Aikhoriin's presentation provided an explanation of constraints to providing affordable housing, the National Housing Fund (NHF), planned mortgage bond and recommendations for GON action. He reviewed the historical context of housing programs in Nigeria since 1985 and the reasons for their failure. The failures consisted of defective and unduly politicized distribution and selection of sites, political appointment of contractors, and the allocation of units to the political elite. Landmark legislation began in 1989, with the Mortgage Institutions Act which recognized the primary and secondary mortgage markets. The act also allowed the Federal Mortgage Bank of Nigeria (FMBN) to operate in the wholesale mortgage market and primary mortgage institutions (PMIs) to operate in the retail mortgage market.

ABUJA 00003200 002.2 OF 003

#### CONSTRAINTS TO AFFORDABLE HOUSING

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¶8. The FMBN estimates housing needs in excess of 14-16 million units requiring financing of approximately 44 trillion naira with an average cost of approximately 2.143 million naira per unit. Aikhoriin commented that the task seems insurmountable with constraints that touch many areas. Nigeria's high unemployment rate and very low per capital incomes of the employed make most decent housing unaffordable. He said banks are reluctant to lend because customer information is difficult to attain and there is no established credit authority.

¶9. Aikhoriin noted that the Land Use Act of 1978 complicates land titling and foreclosure, and more importantly, vests only in the governor of each state the right to transfer property. In addition, there is a scarcity of long term financing, because PMI's must compete with other commercial banks in the same markets. Plus, there are high interest rates with short durations, a very small primary mortgage market, and a non-existent secondary mortgage market. He said an exacerbating factor is the high cost of building materials, primarily due to huge tariffs on imported construction materials.

#### INITIATIVES TO OVERCOME CONSTRAINTS

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¶10. Aikhoriin explained that the NHF act was passed in 1992, and as part of the act, anyone earning over 3,000 naira per month contributes a mandatory 2.5% of their income to the NHF. As of July 2006, the housing fund had amassed a total of 21.7 billion naira, with some 2,876,787 members. The majority of the loan funds were used for mortgages through PMIs for 6.4 billion naira and estate development loans (EDLs) for 9.6 billion naira. Although the NHF contributions have increased to record levels there still is an erratic collection that is sometimes not remitted due to inefficiencies in collection and record keeping.

## 100 BILLION NAIRA MORTGAGE BOND

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¶11. Also, Aikhori reported that the FMBN is in advance stages to float a 100 billion naira bond in the capital markets in two tranches of 50 billion naira each for mortgage financing. The bond will be guaranteed by the GON as an incentive to attract investors. Underwriting commitments as of November 2006 were at 273.5 billion naira. Some of the proceeds will enable civil servants to purchase the more than 30,000 federal government housing units up for sale.

## RECOMMENDATIONS FOR THE GON

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¶12. Aikhori said the GON needs to do more and listed a number of recommendations:

- The present National Housing Policy should be completed and approved as a national policy document.
- Amendment of the Land Use Act.
- GON construction of basic infrastructure (roads, electricity, water etc.) for all new housing developments.
- GON tax incentives on pre-tax profits in line with best international practices.
- Injection of government funds to provide low-cost housing to the most vulnerable.
- Introduction of subsidized building materials for targeted groups and encourage the use of local building materials.
- GON support for the formation of housing cooperatives, building societies, thrifts and credit societies that could tap into some of the emerging micro-finance institutions.

## AMBITIOUS NIGERIA COUNTRY ACTION PLAN

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¶13. The Nigerian delegation envisioned that within four years the GON and private sector will increase the number of loans from both the private sector and micro finance institutions by 25% and completion of 20 slum-upgrading projects. The action plan requires that five objectives are completed, beginning with collection of data, information and research, followed by policy and legislative reform, government incentives to the private sector, and rearrangement of real estate and mortgage related institutions, and innovative products for enhanced access to mortgage finance. Each

ABUJA 00003200 003.2 OF 003

of the objectives outlined the activities, outputs, resources and lead agencies with the UN Habitat program support office in Abuja as the coordinating agency. UN Habitat will be responsible for bringing together the lead agencies, stakeholders and GON representatives to put the action plan in motion.

## COMMENT

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¶14. The conference provided a good forum for an exchange of information among countries similarly situated yet confronting different challenges. There was a diverse group of contributors from the public sector, but no significant private sector participation. Most countries were grappling with the same issues of securitization, land ownership, tenure, titling and foreclosure, and the need to pass key reform legislation. The Nigerian delegation came prepared to discuss, listen and offered an ambitious action plan. The question not yet answered is whether the GON has the political will to undertake major housing reforms as more cities succumb to urbanization, especially during the last four months of the current administration.

CAMPBELL